

## Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 SEC-03 PA-03 PRS-01 USIA-15 SS-15 NSC-10

L-03 H-03 CIAE-00 INR-10 NSAE-00 RSC-01 EB-11 JUSE-00

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DRAFTED BY ARA/CEN/CR:JGSULLIVAN:SLC

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE PRIORITY

UNCLAS STATE 190612

E.O. 11652: N/A

TAGS: CS, PINT, EFIN, PGOV

SUBJECT: VESCO CASE

1. N.Y. TIMES OF SEPT 22 AND WALL STREET JOURNAL OF SEPT 24 REPORT SEPT 21 ORAL ANNOUNCEMENT AND SUMMARY OF DECISION BY JUDGE CHARLES E. STEWART IN S.E.C. CIVIL SUIT FILED NOV. 27. WRITTEN DECISION EXPECTED IN WEEK TO TEN DAYS. ACCORDING TO PRESS ACCOUNTS, STEWART SAID HE WILL ISSUE PRELIMINARY INJUNCTIONS AGAINST MR. VESCO AND OTHERS WHO THE S.E.C. HAD COMPLAINED WERE VIOLATING SECURITIES LAWS TO PREVENT FURTHER VIOLATIONS. HE WILL ALSO APPOINT A TEMPORARY RECEIVER FOR THE FOUR FOREIGN MUTUAL FUNDS AND THEIR MANAGEMENT COMPANIES AND A PERMANENT RECEIVER FOR BAHAMIAN-BASED DEFENDANTS THAT DEFAULTED BY REFUSING TO ANSWER THE SEC'S CHARGES. JUDGE SAID HE WASN'T DECLARING A FINAL CONCLUSION ON THE MERITS OF THE SEC COMPLAINT, BUT THAT SEC HAD ESTABLISHED " A REASONABLE LIKELIHOOD OF SUCCESS" AND THAT IRREPARABLE HARM MIGHT RESULT IF PRELIMINARY INJUNCTION AGAINST FUTURE WRONGDOINGS WERE NOT RPT NOT ISSUED. JUDGE SAID IT APPEARED ACTS HAD OCCURRED IN U.S. "THAT WERE FRAUDULENT IN NATURE." ACCORDING TO JOURNAL, STEWART ALSO FOUND THAT

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HE CLEARLY HAD JURISDICTION IN CASE EVEN OVER FOREIGN

INDIVIDUALS AND COMPANIES AND OVER ACTIONS TAKEN ABROAD,  
BECAUSE THEY HAD "A SUBSTANTIAL ADVERSE IMPACT ON THE  
UNITED STATES, ON U.S. SECURITIES MARKETS, AND ON U.S.

INVESTORS."

2. JUDGE STEWART SAID HE WOULD ISSUE PRELIMINARY  
INJUNCTIONS AGAINST MR. VESCO, MILTON MEISSNER, ULRICH  
STRICKLER, STANLEY GRAZE, FREDERIC WEYMAR, GILBERT R.J.  
STRAUB, I.O.S. , ITS SUBSIDIARY TRANSGLOBAL FINANCIAL,  
THE FOUR MANAGEMENT COMPANIES, AND KILMOREY INVESTMENTS  
LTD. JUDGE ALSO SAID HE WOULD APPOINT A TEMPORARY RECEIVER  
FOR THE FOUR MUTUAL FUNDS AND THEIR MANAGEMENT COMPANIES  
AND A PERMANENT RECEIVER FOR THE DEFAULTING DEFENDANTS  
INCLUDING THE LUXEMBOURG BANK AND FIVE BAHAMIAN COMPANIES  
THAT HOLD ASSETS SPUN OFF FROM I.O.S. AND THAT ARE  
PURPORTEDLY CONTROLLED BY NORMAN LEBLANC. JOURNAL  
JUDGES THAT S.E.C. WON EVERYTHING IT ASKED FOR EXCEPT  
INJUNCTIONS AGAINST FIVE OTHER MEN.

3. TIMES ALSO REPORTS THAT JUDGE ASKED S.E.C. TO  
SUBMIT PROPOSED ORDERS FOR HIS APPROVAL TO ENJOIN MR.  
VESCO, ASSOCIATES AND A NUMBER OF CORPORATE DEFENDANTS.

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